

**REPORT OF THE AUDIT OF THE
JESSAMINE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2004**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE JESSAMINE COUNTY FISCAL COURT

June 30, 2004

The Auditor of Public Accounts has completed the audit of the Jessamine County Fiscal Court for fiscal year ended June 30, 2004.

We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund financial statements of Jessamine County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$53,357,589 as of June 30, 2004. The fiscal court had unrestricted net assets of \$6,572,663 in its governmental activities as of June 30, 2004, with total net assets of \$53,219,805. In its business-type activities, total net cash and cash equivalents were \$117,950 with total net assets of \$137,784. The fiscal court had total debt principal as of June 30, 2004 of \$1,505,218 with \$141,828 due within the next year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable William Neal Cassity, Jessamine County Judge/Executive

Members of the Jessamine County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jessamine County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Jessamine County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Jessamine County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jessamine County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statements 33, 34, and 37 as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The required supplemental information, management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable William Neal Cassity, Jessamine County Judge/Executive
Members of the Jessamine County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jessamine County, Kentucky's basic financial statements. The accompanying supplementary information and combining fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2005 on our consideration of Jessamine County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
February 10, 2005

JESSAMINE COUNTY OFFICIALS

For The Year Ended June 30, 2004

Fiscal Court Members:

William Neal Cassity	County Judge/Executive
Bobby Day Wilson	Magistrate
Tim Vaughn	Magistrate
John Nickell	Magistrate
George Dean	Magistrate
Duane McCuddy	Magistrate
Terry Meckstroth	Magistrate

Other Elected Officials:

Brian Goettl	County Attorney
Frank Hubbard	Jailer
Eva L. McDaniel	County Clerk
Doug Fain	Circuit Court Clerk
Joe Walker	Sheriff
Robert Thompson	Property Valuation Administrator
Bobbie Ballard	Coroner

Appointed Personnel:

Tami Cravens	County Treasurer
Judy Miller	Occupational Tax Collector

JESSAMINE COUNTY JUDGE/EXECUTIVE

WM. NEAL CASSITY

Court House - 101 North Main Street

Nicholasville, KY 40356

(859) 885-4500 • Fax (859) 885-2545

E-mail: jcjewnc@jessamineco.com

www.jessamineco.com

Management's Discussion and Analysis

June 30, 2004

The financial management of Jessamine County, Kentucky offers readers of Jessamine County's financial statements this narrative overview and analysis of the financial activities of Jessamine County for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our financial statements and the notes to the financial statements.

Financial Highlights

- Jessamine County had net assets of \$53,357,589 as of June 30, 2004. The fiscal court had unrestricted net assets of \$6,572,663 in its governmental activities as of June 30, 2004.
- At the close of the current fiscal year, Jessamine County balance sheet reported a fund balance of \$6,605,170. Of this amount, \$6,548,914 is available for spending at the government's discretion (unreserved fund balance).
- Jessamine County's total indebtedness at the close of fiscal year June 30, 2004, was \$1,505,218, of which \$1,363,390 is long-term debt (due after 1 year) and \$141,828 is short-term debt (to be paid within 1 year). Debt additions were \$22,128 and debt reductions were \$114,681 for a net decrease of \$92,553 during the year. Jessamine County has purchased 2 sheriffs cruisers at a cost of \$43,810 during the year.
- In addition, Jessamine County renovated the circuit courtroom and began elevator installation at a cost of \$160,315, held a county-wide cleanup at a cost of \$194,302, and purchased a dump truck with box and snow plow attachments at a cost of \$68,075. Jessamine County also resurfaced or reconstructed county roads in the amount of \$363,037. All of these improvements were made without incurring additional debt for these items.
- In 2003, Jessamine County received a Transportation Grant in the amount of \$740,000 to reconstruct the first phase of the Keene Lodge Community Center to serve all citizens in the county for public use.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Jessamine County's basic financial statements. Jessamine County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Jessamine County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Overview of the Financial Statements (Continued)

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function. This is the first year of implementation and these schedules will be presented next year.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Jessamine County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on Jessamine County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Jessamine County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Jessamine County's governmental activities include general governmental, protection to persons and property, general health and sanitation, roads, recreation, and social services. The County has one business type activity - the operation of a jail canteen.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Jessamine County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Jessamine County can be divided into two broad categories: *governmental funds and proprietary funds*.

Jessamine County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Jessamine County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Jail Fund, LGEA Fund, Emergency Services Fund, and KACO Annex Fund, all of which are considered major funds by the County.

Jessamine County adopts an annual appropriated budget for its major governmental funds, except for the KACO Annex Fund since its major purpose is to service the debt on the Courthouse Annex. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Jessamine County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Government-wide Financial Analysis.

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 6,605,170	\$ 117,950	\$ 6,723,120
Total Current Assets	6,605,170	117,950	6,723,120
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	1,846,877		1,846,877
Buildings	9,936,061		9,936,061
Other Equipment	699,819		699,819
Vehicles and Equipment	746,880	19,834	766,714
Infrastructure Assets - Net of Depreciation	34,890,216		34,890,216
Total Noncurrent Assets	48,119,853	19,834	48,139,687
Total Assets	54,725,023	137,784	54,862,807
LIABILITIES			
Current Liabilities:			
Financing Obligations Payable	141,828		141,828
Total Current Liabilities	141,828		141,828
Noncurrent Liabilities:			
Financing Obligations Payable	1,363,390		1,363,390
Total Noncurrent Liabilities	1,363,390		1,363,390
Total Liabilities	1,505,218		1,505,218
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	46,614,635	19,834	46,634,469
Restricted For:			
Debt Service	32,507		32,507
Unrestricted	6,572,663	117,950	6,690,613
Total Net Assets	\$ 53,219,805	\$ 137,784	\$ 53,357,589

Changes in Net Assets.

Governmental Activities. There are no prior year totals to compare since this is the first year of GASB 34 implementation.

Jessamine County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Financial Analysis of the County's Funds.

As noted earlier, Jessamine County uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements.

Governmental Funds Overview. The focus of Jessamine County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2004 fiscal year, the combined ending fund balance of County governmental funds was \$6,605,170. Approximately 99% (\$6,548,914) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$56,256) is reserved to indicate that it is not available for new spending because it is committed.

The County has 6 major governmental funds. These are: 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) LGEA Fund, 5) Emergency Services Fund, and 6) KACO Annex Fund. There are no non-major funds.

1. The General Fund is the chief operating fund of Jessamine County. At the end of the June 30, 2004 fiscal year, unreserved fund balance of the General Fund was \$6,185,245, while total fund balance was \$6,194,797. The county received \$4,357,275 in Occupational Tax and Net Profit Tax revenues. This accounts for approximately 49% of the general fund revenue. \$1,631,908 was received from real and personal property taxes and accounts for approximately 18% of the county's general fund revenues. Various other taxes and service fees make up the remaining 33% of revenues.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$120,065 in fund balance at June 30, 2004. The fund balance at the end of the previous year was \$60,201. The fiscal year 2004 expenditures for road projects were \$861,903.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2004 of \$47,671. That is a decrease in fund balance of \$30,917 over the previous fiscal year end. The Jail Fund received \$382,731 for services, primarily for housing prisoners. The General Fund contributed \$780,000 to the jail operations, \$400,000 of which was for housing county inmates.
4. The Local Government Economic Assistance Fund had a fund balance of \$169,843, a decrease of \$16,316 over the previous fiscal year end. Fund monies were used to purchase new equipment for the Road Department and to help fund the county-wide cleanup.
5. The Emergency Services Fund accounts for the operation of the County's emergency operations, communications and ambulance service. It is supported primarily from occupational taxes, and total revenues were \$1,103,822, with the General Fund contributing an additional \$1,054,329. The fund had a fund balance of \$40,287 at the end of the June 30, 2004 fiscal year.

**Jessamine County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Financial Analysis of the County's Funds. (Continued)

6. The KACO Annex Fund accounts for the money used to service the debt on the Courthouse Annex. It is supported primarily by payments from the Administrative Office of the Courts (AOC). Total payments from AOC were \$164,492 for the year. The fund had a balance of \$32,507 at the end of the June 30, 2004 fiscal year.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Jessamine County has one enterprise fund, the Jail Canteen Fund. The Jail Canteen Fund had capital assets of \$19,834 and a cash balance of \$117,950 for total net assets of \$137,784 as of June 30, 2004.

General Fund Budgetary Highlights.

The County's original budget was amended during the fiscal year increasing the operating budget by \$127,482. Budget amendments were made due to grants received for Pride and the Highbridge Kentucky River Authority Project.

Actual operating revenues were \$4,386,419 less than amount budgeted by fiscal court. This decrease was primarily from a grant the county was expecting to get for water and sewer lines that did not come in during this fiscal year.

Actual operating expenditures were \$9,061,497 less than amount budgeted by fiscal court due to the money being budgeted for the water and sewer lines, but not being spent since the grant money did not come in.

Capital Assets and Debt Administration.

Capital Assets. Jessamine County's investment in capital assets for its government and business type activities as of June 30, 2004, amounts to \$48,139,687 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and infrastructure. The County has elected to report infrastructure assets per GASB 34 provisions.

Major capital asset events during the 2004 fiscal year included renovation of the circuit courtroom and the first phases of elevator installation, purchasing two sheriff's cruisers, and new equipment for the Road Department.

Jessamine County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Capital Assets and Debt Administration. (Continued)

Additional information on the County's capital assets can be found in Note 4 of this report.

	Governmental Activities	Business-Type Activities
	<u>2004</u>	<u>2004</u>
Infrastructure Assets	\$ 34,890,216	\$
Land & Buildings	11,782,938	
Other Equipment	699,819	
(includes office equipment)		
Vehicles & Equipment	<u>746,880</u>	<u>19,834</u>
Total Net Capital Assets	<u><u>\$ 48,119,853</u></u>	<u><u>\$ 19,834</u></u>

Long-term Debt. At the end of the 2004 fiscal year, Jessamine County had total long-term debt outstanding of \$1,483,090. The amount of this debt due within the next year is \$119,700 and \$1,363,390 is due in subsequent years. This debt is for the Courthouse Annex building and 911 equipment. This debt is described in note 4 of the notes to the financial statements.

Short-term Debt. The county has a one-year financing agreement for two vehicles for the sheriff's office with total principal due in the amount of \$22,128. This debt will be retired in 2005.

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2005 fiscal year budget:

- The 2005 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.
- Program cuts at the State level, particularly relating to the cost of housing prisoners, may have a negative impact on funding for county programs. The fiscal court may decide to alter the operations or funding of County operations impacted by State revenue shortfalls.

Requests For Information/

This financial report is designed to provide a general overview of Jessamine County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to Tami Cravens, Jessamine County Treasurer, 101 North Main Street, Suite 7, Nicholasville, KY 40356.

JESSAMINE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

JESSAMINE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 6,605,170	\$ 117,950	\$ 6,723,120
Total Current Assets	<u>6,605,170</u>	<u>117,950</u>	<u>6,723,120</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	1,846,877		1,846,877
Buildings	9,936,061		9,936,061
Other Equipment	699,819		699,819
Vehicles and Equipment	746,880	19,834	766,714
Infrastructure Assets - Net of Depreciation	<u>34,890,216</u>		<u>34,890,216</u>
Total Noncurrent Assets	<u>48,119,853</u>	<u>19,834</u>	<u>48,139,687</u>
Total Assets	<u>54,725,023</u>	<u>137,784</u>	<u>54,862,807</u>
LIABILITIES			
Current Liabilities:			
Financing Obligations Payable	141,828		141,828
Total Current Liabilities	<u>141,828</u>		<u>141,828</u>
Noncurrent Liabilities:			
Financing Obligations Payable	1,363,390		1,363,390
Total Noncurrent Liabilities	<u>1,363,390</u>		<u>1,363,390</u>
Total Liabilities	<u>1,505,218</u>		<u>1,505,218</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	46,614,635	19,834	46,634,469
Restricted For:			
Debt Service	32,507		32,507
Unrestricted	<u>6,572,663</u>	<u>117,950</u>	<u>6,690,613</u>
Total Net Assets	<u>\$ 53,219,805</u>	<u>\$ 137,784</u>	<u>\$ 53,357,589</u>

The accompanying notes are an integral part of the financial statements.

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JESSAMINE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004

JESSAMINE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 4,923,409	\$ 164,090	\$ 1,215,038	\$
Protection to Persons and Property	3,775,629	1,309,581	160,368	
General Health and Sanitation	517,615	171,093	207,109	
Social Services	72,605		242,679	
Recreation and Culture	662,412	2,812	138,668	
Roads	2,376,189			
Other Transportation Facilities	21,000			
Debt Service	139,170		164,492	
Capital Projects	588,622			
Total Governmental Activities	13,076,651	1,647,576	2,128,354	
Business-type Activities:				
Jail Canteen Fund	163,829	191,287		
Total Business-type Activities	163,829	191,287		
Total Primary Government	\$ 13,240,480	\$ 1,838,863	\$ 2,128,354	\$ 0

General Revenues:

Taxes:

 Real Property Taxes

 Personal Property Taxes

 Motor Vehicle Taxes

 Other Taxes

Excess Fees

Miscellaneous Revenues

Unrestricted Investment Earnings

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

JESSAMINE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (3,544,281)	\$	\$ (3,544,281)
(2,305,680)		(2,305,680)
(139,413)		(139,413)
170,074		170,074
(520,932)		(520,932)
(2,376,189)		(2,376,189)
(21,000)		(21,000)
25,322		25,322
(588,622)		(588,622)
(9,300,721)		(9,300,721)
	27,458	27,458
	27,458	27,458
(9,300,721)	27,458	(9,273,263)
1,208,315		1,208,315
111,449		111,449
260,389		260,389
4,816,747		4,816,747
808,893		808,893
710,373		710,373
74,687	1,710	76,397
7,990,853	1,710	7,992,563
(1,309,868)	29,168	(1,280,700)
54,529,673	108,616	54,638,289
\$ 53,219,805	\$ 137,784	\$ 53,357,589

The accompanying notes are an integral part of the financial statements.

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JESSAMINE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

JESSAMINE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

	General Fund	Road Fund	Jail Fund	LGEA Fund	Emergency Services Fund
ASSETS					
Cash and Cash Equivalents	\$ 6,194,797	\$ 120,065	\$ 47,671	\$ 169,843	\$ 40,287
Total Assets	<u>\$ 6,194,797</u>	<u>\$ 120,065</u>	<u>\$ 47,671</u>	<u>\$ 169,843</u>	<u>\$ 40,287</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 9,552	\$ 8,677	\$ 1,238	\$ 31,499	\$ 5,290
Unreserved:					
General Fund	6,185,245				
Special Revenue Fund		111,388	46,433	138,344	34,997
Debt Service Fund					
Total Fund Balances	<u>\$ 6,194,797</u>	<u>\$ 120,065</u>	<u>\$ 47,671</u>	<u>\$ 169,843</u>	<u>\$ 40,287</u>

The accompanying notes are an integral part of the financial statements.

JESSAMINE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2004
(Continued)

<u>KACO Annex Fund</u>	<u>Total Governmental Funds</u>
\$ 32,507	\$ 6,605,170
<u>\$ 32,507</u>	<u>\$ 6,605,170</u>
\$	\$ 56,256
	6,185,245
	331,162
<u>32,507</u>	<u>32,507</u>
<u>\$ 32,507</u>	<u>\$ 6,605,170</u>

Amounts Reported For Governmental Activities In The Statement

Of Net Assets Are Different Because:

Capital Assets Used in Governmental Activities Are Not Financial Resources

And Therefore Are Not Reported in the Funds.

60,462,444

Depreciation

(12,342,591)

Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.

Financing Obligations-Current Portion

(141,828)

Financing Obligations-Long Term Portion

(1,363,390)

Net Assets Of Governmental Activities

\$ 53,219,805

53,219,805

The accompanying notes are an integral part of the financial statements.

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JESSAMINE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

JESSAMINE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>LGEA Fund</u>
REVENUES				
Taxes	\$ 6,396,413	\$	\$	\$
Excess Fees	808,893			
Licenses and Permits	139,808			
Intergovernmental	549,266	851,493	563,932	185,600
Charges for Services	148,618	2,520	110,120	
Miscellaneous	663,795	1,816	14,763	
Interest	57,251	935	494	2,162
Total Revenues	<u>8,764,044</u>	<u>856,764</u>	<u>689,309</u>	<u>187,762</u>
EXPENDITURES				
General Government	2,691,945			55,000
Protection to Persons and Property	359,855		1,309,065	
General Health and Sanitation	506,199			
Social Services	72,605			
Recreation and Culture	842,764			4,950
Roads		861,903		90,061
Other Transportation Facilities	21,000			
Debt Service	51,892			
Capital Projects	497,213	22,269		54,067
Administration	1,492,621	62,728	191,161	
Total Expenditures	<u>6,536,094</u>	<u>946,900</u>	<u>1,500,226</u>	<u>204,078</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>2,227,950</u>	<u>(90,136)</u>	<u>(810,917)</u>	<u>(16,316)</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds	22,128			
Transfers From Other Funds		150,000	780,000	
Transfers To Other Funds	(1,984,329)			
Total Other Financing Sources (Uses)	<u>(1,962,201)</u>	<u>150,000</u>	<u>780,000</u>	
Net Change in Fund Balances	265,749	59,864	(30,917)	(16,316)
Fund Balances - Beginning	5,929,048	60,201	78,588	186,159
Fund Balances - Ending	<u>\$ 6,194,797</u>	<u>\$ 120,065</u>	<u>\$ 47,671</u>	<u>\$ 169,843</u>

The accompanying notes are an integral part of the financial statements.

JESSAMINE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Emergency Services Fund	KACO Annex Fund	Total Governmental Funds
\$ 269,823	\$	\$ 6,666,236
		808,893
		139,808
59,079	164,492	2,373,862
768,934		1,030,192
5,283		685,657
703	590	62,135
<u>1,103,822</u>	<u>165,082</u>	<u>11,766,783</u>
		2,746,945
1,923,497		3,592,417
		506,199
		72,605
		847,714
		951,964
		21,000
53,369	148,590	253,851
	15,073	588,622
385,006		2,131,516
<u>2,361,872</u>	<u>163,663</u>	<u>11,712,833</u>
<u>(1,258,050)</u>	<u>1,419</u>	<u>53,950</u>
		22,128
1,054,329		1,984,329
		(1,984,329)
<u>1,054,329</u>		<u>22,128</u>
(203,721)	1,419	76,078
244,008	31,088	6,529,092
<u>\$ 40,287</u>	<u>\$ 32,507</u>	<u>\$ 6,605,170</u>

The accompanying notes are an integral part of the financial statements.

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**JESSAMINE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2004

JESSAMINE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$	76,078
--	----	--------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		391,452
Depreciation Expense		(1,869,951)

The issuance of debt (e.g. bonds, leases) provides current financial resources to governmental funds. These transactions, however, have no effect on net assets.

Financing Obligation Proceeds		(22,128)
-------------------------------	--	----------

Principal payments are expensed in the Governmental Funds as a use of current financial resources.

Revenue Bonds		114,681
---------------	--	---------

Change in Net Assets of Governmental Activities	\$	(1,309,868)
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JESSAMINE COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

JESSAMINE COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 117,950
Total Current Assets	<u>117,950</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	24,542
Less Accumulated Depreciation	<u>(4,708)</u>
Total Noncurrent Assets	<u>19,834</u>
Total Assets	<u>137,784</u>
Net Assets	
Invested in Capital Assets,	
Net of Related Debt	19,834
Unrestricted	<u>117,950</u>
Total Net Assets	<u><u>\$ 137,784</u></u>

The accompanying notes are an integral part of the financial statements.

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JESSAMINE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

JESSAMINE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Operating Revenues	
Canteen Receipts	\$ 191,287
Total Operating Revenues	<u>191,287</u>
Operating Expenses	
Cost of Sales	97,595
Educational and Recreational	8,824
Depreciation	2,354
Miscellaneous	<u>35,619</u>
Total Operating Expenses	<u>144,392</u>
Operating Income (Loss)	<u>46,895</u>
Nonoperating Revenues (Expenses)	
Interest Income	1,710
Inmate Refunds	<u>(19,437)</u>
Total Nonoperating Revenues (Expenses)	<u>(17,727)</u>
Change In Net Assets	29,168
Total Net Assets - Beginning	<u>108,616</u>
Total Net Assets - Ending	<u><u>\$ 137,784</u></u>

The accompanying notes are an integral part of the financial statements.

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JESSAMINE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

JESSAMINE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities	
Receipts From Customers	\$ 191,287
Cost of Sales	(97,595)
Educational and Recreational	(8,824)
Miscellaneous	(35,619)
Net Cash Provided By Operating Activities	<u>49,249</u>
Cash Flows From Noncapital Financing Activities	
Inmate Refunds on Accounts	(19,437)
Net Cash Used By Noncapital Financing Activities	<u>(19,437)</u>
Cash Flows From Investing Activities	
Interest Earned	1,710
Net Cash Provided By Investing Activities	<u>1,710</u>
Net Increase (Decrease) in Cash and Cash Equivalents	31,522
Cash and Cash Equivalents - July 1	<u>86,428</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 117,950</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 46,895
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities	
Depreciation Expense	<u>2,354</u>
Net Cash Provided By Operating Activities	<u><u>\$ 49,249</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements utilizing a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Jessamine County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Based upon the criteria stated in GASB 14, management has included the KACo Leasing Trust/Jessamine County Courthouse Annex Fund as part of the reporting entity.

The KACo Leasing Trust/Jessamine County Courthouse Annex Fund was established by the fiscal court for the purpose of providing long-term financing for an approved project. A third party trustee maintains the Jail Construction Account on the fiscal court's behalf. Management must include the KACo Leasing Trust/Jessamine County Courthouse Annex Fund as part of the reporting entity and their financial activity is blended with that of the fiscal court.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Jessamine County Elected Officials Not Part Of Jessamine County, Kentucky

Kentucky law provides for election of the officials below from the geographic area constituting Jessamine County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major. No funds are currently reported as non-major.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

LGEA Fund - The purpose of this fund is to account for funds received from the state for coal severance taxes. The funds must primarily be used for maintaining the county's road system used by the coal trucks.

Emergency Services Fund - The purpose of this fund is to account for receipts for the county's ambulance runs and money from the state for emergency services.

KACO Annex Fund - The purpose of this fund is to account for the payments received from the Administrative Office of the Courts to help finance the debt related to the Courthouse Annex.

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1 and subject to lien and sale February 1 following the delinquency date.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds

All proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989 unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Governor's Office for Local Development does not require the county to budget funds in the KACO Annex Fund because the expenditures for the servicing of the debt are budgeted in other funds.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Jessamine County Fiscal Court: Jessamine Water District No.1 and Jessamine /South Elkhorn Water District.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are considered joint ventures of the Jessamine County Fiscal Court: Nicholasville/Jessamine County Parks and Recreation and the Jessamine County Economic Development Authority.

Note 2. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2004, the primary government's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the primary government as beneficiary/obligee on the bond.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Reporting Entity		
	Beginning Balance	Increases	Decreases Ending Balance
Primary Government:			
<u>Governmental Activities:</u>			
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,846,877	\$	\$ 1,846,877
Construction In Progress			
Total Capital Assets Not Being Depreciated	1,846,877		1,846,877
Capital Assets, Being Depreciated:			
Buildings	10,754,828	250,000	11,004,828
Other Equipment	1,635,739	16,000	1,651,739
Vehicles and Equipment	2,123,641	125,452	2,249,093
Infrastructure	43,709,907		43,709,907
Total Capital Assets Being Depreciated	58,224,115	391,452	58,615,567
Less Accumulated Depreciation For:			
Buildings	(950,095)	(118,672)	(1,068,767)
Other Equipment	(806,333)	(145,587)	(951,920)
Vehicles and Equipment	(1,288,449)	(213,764)	(1,502,213)
Infrastructure	(7,427,763)	(1,391,928)	(8,819,691)
Total Accumulated Depreciation	(10,472,640)	(1,869,951)	(12,342,591)
Total Capital Assets, Being Depreciated, Net	47,751,475	(1,478,499)	46,272,976
Governmental Activities Capital Assets, Net	<u>\$ 49,598,352</u>	<u>\$ (1,478,499)</u>	<u>\$ 48,119,853</u>
<u>Business-Type Activities:</u>			
Capital Assets, Being Depreciated:			
Vehicles and Equipment	\$ 24,542	\$	\$ 24,542
Total Capital Assets Being Depreciated	24,542		24,542
Less Accumulated Depreciation For:			
Vehicles and Equipment	(2,354)	(2,354)	(4,708)
Total Accumulated Depreciation	(2,354)	(2,354)	(4,708)
Total Capital Assets, Being Depreciated, Net	22,188	(2,354)	19,834
Business-Type Activities Capital Assets, Net	<u>\$ 22,188</u>	<u>\$ (2,354)</u>	<u>\$ 19,834</u>

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

General Government	\$ 79,969
Protection to Persons and Property	226,680
General Health and Sanitation	11,416
Recreation and Culture	64,698
Roads, Including Depreciation of General Infrastructure Assets	<u>1,487,188</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,869,951</u>
<u>Business-Type Activities</u>	
Jail Canteen	<u>\$ 2,354</u>
Total Depreciation Expense - Business Activities	<u>\$ 2,354</u>

Note 4. Financing Obligations

A. Courthouse Annex - Lease Revenue Bonds, Series 1989

On July 3, 1997, the Jessamine County Fiscal Court entered into a twenty-year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) for the Jessamine County Courthouse Annex. Payments for interest and associated fees are due monthly and principal payments are due annually on January 20.

Governmental Activities					
Fiscal Year Ended June 30	Principal	Interest	Total Payment	Less: AOC Rental Amount	Net Amount Due From County
2005	\$ 72,000	\$ 74,558	\$ 146,558	\$ (112,600)	\$ 33,958
2006	76,000	70,185	146,185	(112,600)	33,585
2007	80,000	65,575	145,575	(112,600)	32,975
2008	84,000	60,727	144,727	(112,600)	32,127
2009	88,000	55,641	143,641	(112,600)	31,041
2010-2014	511,000	192,751	703,751	(563,000)	140,751
2015-2017	<u>375,000</u>	<u>35,958</u>	<u>410,958</u>	<u>(337,800)</u>	<u>73,158</u>
Totals	<u>\$ 1,286,000</u>	<u>\$ 555,395</u>	<u>\$ 1,841,395</u>	<u>\$ (1,463,800)</u>	<u>\$ 377,595</u>

In accordance with a sublease agreement between the Administrative Office of the Courts (AOC) and Jessamine County Fiscal Court, dated July 3, 1997, AOC committed to providing a portion of the construction costs for the courthouse annex by making rental payments in the amount of \$112,600 per fiscal year. Rental payments from AOC are deposited into an interest bearing Sinking Fund account. Interest earned on this account reduces the net amount due from the county.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Financing Obligations (Continued)

B. E-911 Equipment - Lease Revenue Bonds, Series 2002A

On March 12, 2003, Jessamine County Fiscal Court entered into a five-year lease agreement for the purchase of E-911 equipment and furnishings. Payments for interest and associated fees are due monthly and principal payments are due annually on January 20.

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total Payment
2005	\$ 47,700	\$ 5,644	\$ 53,344
2006	48,730	4,111	52,841
2007	49,790	2,545	52,335
2008	50,870	945	51,815
Totals	<u>\$ 197,090</u>	<u>\$ 13,245</u>	<u>\$ 210,335</u>

C. Vehicle

On February 19, 2004, the Jessamine County Fiscal Court entered into a one-year lease/purchase agreement for the purchase of two Ford Crown Victoria Pursuit Vehicles for the Sheriff's Department. The first annual payment of \$22,128 was due in advance, with the last payment due at closing.

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total Payment
2005	<u>\$ 22,128</u>	<u>\$ 788</u>	<u>\$ 22,916</u>

D. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Financing Obligations	<u>\$ 1,597,771</u>	<u>\$ 22,128</u>	<u>\$ 114,681</u>	<u>\$ 1,505,218</u>	<u>\$ 141,828</u>
Governmental Activities					
Liabilities	<u>\$ 1,597,771</u>	<u>\$ 22,128</u>	<u>\$ 114,681</u>	<u>\$ 1,505,218</u>	<u>\$ 141,828</u>

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$139,170 in interest on lease revenue bonds.

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Deferred Compensation

The Jessamine County Fiscal Court allows all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority, 105 Sea Hero Road, Suite 1, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2004, Jessamine County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 9. Jessamine County Economic Development Authority/Haydon Steel Services, Inc.

During fiscal year ended June 30, 2000, Jessamine County received \$698,263 of Community Development Block Grant money that was passed through to the Jessamine County Economic Development Authority for purchasing industrial equipment to be leased to Haydon Steel Services, Inc. Pursuant to a lease-purchase agreement dated June 29, 1999, between Jessamine County Economic Development Authority (sub-recipient of the County's federal funds), and Haydon Steel Services, Inc. Haydon Steel Services, Inc. was to repay the entire \$698,263 through monthly rental payments to the Jessamine County Economic Development Authority at a rate of 2% per annum over a period of five years. Haydon Steel Services did not make any payments after April 2002. Outstanding principal as of June 30, 2003 was \$415,774.

Haydon Steel filed for Chapter 7 Bankruptcy prior to meeting the full job commitment requirements of the grant. Pursuant to the grant agreement, Haydon Steel was to hire a minimum of 36 new employees, with at least 51% of all jobs created being for persons from families of low and moderate income (LMI) as defined by the Kentucky Community Development Block Grant Program Guidelines. Haydon Steel only created 16 LMI jobs prior to closure. As a result, based on a settlement prepared by the Department for Local Government, which gave Jessamine County credit of \$35,000 per LMI job created by Haydon Steel, the County will be required to repay the Department for Local Government \$138,263.

In October 2003, an auction was held for the assets of Haydon Steel. The proceeds of \$265,000 from the auction were used to offset the liabilities incurred by the county and the Economic Development Authority.

Note 10. Changes in Accounting Principles and Prior Period Adjustments

The county has implemented Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements. The effect of this change on the beginning net assets of the governmental funds is an increase of \$48,000,581, due to capital assets previously not reported and the effect of long-term debt. The beginning net assets balance for business-type activities has been increased by \$22,188 due to capital assets previously not reported.

Note 11. Estimated Infrastructure Historical Cost

Infrastructure historical cost is an estimate. The primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. Then current year construction cost was deflated back to this estimated year of construction to arrive at estimated historical cost.

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JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
For The Year Ended June 30, 2004

JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information

For The Year Ended June 30, 2004

GENERAL FUND				
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 6,179,340	\$ 6,179,340	\$ 6,396,413	\$ 217,073
Excess Fees	610,417	610,417	808,893	198,476
Licenses and Permits	95,000	95,000	139,808	44,808
Intergovernmental Revenue	5,436,993	5,564,474	549,266	(5,015,208)
Charges for Services	150,075	150,075	148,618	(1,457)
Miscellaneous	397,125	397,126	663,795	266,669
Interest	154,031	154,031	57,251	(96,780)
Total Revenues	<u>\$ 13,022,981</u>	<u>\$ 13,150,463</u>	<u>\$ 8,764,044</u>	<u>\$ (4,386,419)</u>
EXPENDITURES				
General Government	\$ 4,090,760	\$ 4,191,031	\$ 2,691,945	\$ 1,499,086
Protection to Persons and Property	272,706	355,814	337,727	18,087
General Health and Sanitation	613,572	674,639	506,199	168,440
Social Services	95,198	98,673	72,605	26,068
Recreation and Culture	1,210,576	1,322,510	842,764	479,746
Other Transportation Facility Services	26,000	26,000	21,000	5,000
Debt Service	150,000	150,000	51,892	98,108
Capital Projects	6,103,793	6,101,516	497,213	5,604,303
Administration	3,110,376	2,655,280	1,492,621	1,162,659
Total Expenditures	<u>\$ 15,672,981</u>	<u>\$ 15,575,463</u>	<u>\$ 6,513,966</u>	<u>\$ 9,061,497</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (2,650,000)</u>	<u>\$ (2,425,000)</u>	<u>\$ 2,250,078</u>	<u>\$ 4,675,078</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>\$ (2,650,000)</u>	<u>\$ (2,650,000)</u>	<u>\$ (1,984,329)</u>	<u>\$ 665,671</u>
Total Other Financing Sources (Uses)	<u>\$ (2,650,000)</u>	<u>\$ (2,650,000)</u>	<u>\$ (1,984,329)</u>	<u>\$ 665,671</u>
Net Changes in Fund Balance	\$ (5,300,000)	\$ (5,075,000)	\$ 265,749	\$ 5,340,749
Fund Balance - Beginning	<u>5,300,000</u>	<u>5,300,000</u>	<u>5,929,048</u>	<u>629,048</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 225,000</u>	<u>\$ 6,194,797</u>	<u>\$ 5,969,797</u>

JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
For The Year Ended June 30, 2004
(Continued)

ROAD FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 671,359	\$ 671,359	\$ 851,493	\$ 180,134
Charges for Services			2,520	2,520
Miscellaneous			1,816	1,816
Interest	1,000	1,000	935	(65)
Total Revenues	<u>\$ 672,359</u>	<u>\$ 672,359</u>	<u>\$ 856,764</u>	<u>\$ 184,405</u>
EXPENDITURES				
Roads	\$ 1,304,625	\$ 1,307,325	\$ 861,903	\$ 445,422
Capital Projects	100,000	100,000	22,269	77,731
Administration	162,734	160,034	62,728	97,306
Total Expenditures	<u>\$ 1,567,359</u>	<u>\$ 1,567,359</u>	<u>\$ 946,900</u>	<u>\$ 620,459</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (895,000)</u>	<u>\$ (895,000)</u>	<u>\$ (90,136)</u>	<u>\$ 804,864</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>\$ 845,000</u>	<u>\$ 845,000</u>	<u>\$ 150,000</u>	<u>\$ (695,000)</u>
Total Other Financing Sources (Uses)	<u>\$ 845,000</u>	<u>\$ 845,000</u>	<u>\$ 150,000</u>	<u>\$ (695,000)</u>
Net Changes in Fund Balance	\$ (50,000)	\$ (50,000)	\$ 59,864	\$ 109,864
Fund Balance - Beginning	<u>50,000</u>	<u>50,000</u>	<u>60,201</u>	<u>10,201</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 120,065</u>	<u>\$ 120,065</u>

JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
For The Year Ended June 30, 2004
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 558,670	\$ 558,670	\$ 563,932	\$ 5,262
Charges for Services	168,000	168,000	110,120	(57,880)
Miscellaneous	500	500	14,763	14,263
Interest	1,000	1,000	494	(506)
Total Revenues	<u>\$ 728,170</u>	<u>\$ 728,170</u>	<u>\$ 689,309</u>	<u>\$ (38,861)</u>
EXPENDITURES				
Protection to Persons and Property	\$ 1,128,137	\$ 1,312,614	\$ 1,309,065	\$ 3,549
Administration	213,066	253,589	191,161	62,428
Total Expenditures	<u>\$ 1,341,203</u>	<u>\$ 1,566,203</u>	<u>\$ 1,500,226</u>	<u>\$ 65,977</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (613,033)</u>	<u>\$ (838,033)</u>	<u>\$ (810,917)</u>	<u>\$ 27,116</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	\$ 555,000	\$ 555,000	\$ 780,000	\$ 225,000
Total Other Financing Sources (Uses)	<u>\$ 555,000</u>	<u>\$ 555,000</u>	<u>\$ 780,000</u>	<u>\$ 225,000</u>
Net Changes in Fund Balance	\$ (58,033)	\$ (283,033)	\$ (30,917)	\$ 252,116
Fund Balance - Beginning	<u>58,033</u>	<u>58,033</u>	<u>78,588</u>	<u>20,555</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (225,000)</u>	<u>\$ 47,671</u>	<u>\$ 272,671</u>

JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
For The Year Ended June 30, 2004
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 180,000	\$ 180,000	\$ 185,600	\$ 5,600
Interest	2,000	2,000	2,162	162
Total Revenues	<u>\$ 182,000</u>	<u>\$ 182,000</u>	<u>\$ 187,762</u>	<u>\$ 5,762</u>
EXPENDITURES				
General Government	\$ 55,000	\$ 55,000	\$ 55,000	\$
Recreation and Culture	4,950	4,950	4,950	
Roads	192,050	192,050	90,061	101,989
Capital Projects	80,000	80,000	54,067	25,933
Total Expenditures	<u>\$ 332,000</u>	<u>\$ 332,000</u>	<u>\$ 204,078</u>	<u>\$ 127,922</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (150,000)</u>	<u>\$ (150,000)</u>	<u>\$ (16,316)</u>	<u>\$ 133,684</u>
Net Changes in Fund Balances	\$ (150,000)	\$ (150,000)	\$ (16,316)	\$ 133,684
Fund Balances - Beginning	<u>150,000</u>	<u>150,000</u>	<u>186,159</u>	<u>36,159</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 169,843</u>	<u>\$ 169,843</u>

JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
For The Year Ended June 30, 2004
(Continued)

EMERGENCY SERVICES FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 285,000	\$ 285,000	\$ 269,823	\$ (15,177)
Intergovernmental Revenue	54,500	54,500	59,079	4,579
Charges for Services	836,000	836,000	768,934	(67,066)
Miscellaneous	2,500	2,500	5,283	2,783
Interest	500	500	703	203
Total Revenues	<u>\$ 1,178,500</u>	<u>\$ 1,178,500</u>	<u>\$ 1,103,822</u>	<u>\$ (74,678)</u>
EXPENDITURES				
Protection to Persons and Property	\$ 1,958,625	\$ 1,965,125	\$ 1,923,497	\$ 41,628
Debt Service	52,065	54,065	53,369	696
Administration	473,462	464,962	385,006	79,956
Total Expenditures	<u>\$ 2,484,152</u>	<u>\$ 2,484,152</u>	<u>\$ 2,361,872</u>	<u>\$ 122,280</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (1,305,652)</u>	<u>\$ (1,305,652)</u>	<u>\$ (1,258,050)</u>	<u>\$ 47,602</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>\$ 1,250,000</u>	<u>\$ 1,250,000</u>	<u>\$ 1,054,329</u>	<u>\$ (195,671)</u>
Total Other Financing Sources (Uses)	<u>\$ 1,250,000</u>	<u>\$ 1,250,000</u>	<u>\$ 1,054,329</u>	<u>\$ (195,671)</u>
Net Changes in Fund Balances	<u>\$ (55,652)</u>	<u>\$ (55,652)</u>	<u>\$ (203,721)</u>	<u>\$ (148,069)</u>
Fund Balances - Beginning	<u>55,652</u>	<u>55,652</u>	<u>244,008</u>	<u>188,356</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 40,287</u>	<u>\$ 40,287</u>

JESSAMINE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable William Neal Cassity, Jessamine County Judge/Executive
Members of the Jessamine County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jessamine County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 10, 2005. Jessamine County prepares its financial statements in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jessamine County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course or performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Jessamine County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
February 10, 2005

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

JESSAMINE COUNTY FISCAL COURT

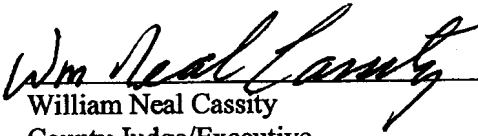
**For The Fiscal Year Ended
June 30, 2004**


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

JESSAMINE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2004

The Jessamine County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


William Neal Cassity
County Judge/Executive


Tami Cravens
County Treasurer

